



New Mexico State Legislature

STATE CAPITOL
Santa Fe

August 3, 2012

Hector Balderas, State Auditor
Office of the State Auditor
2540 Camino Edward Ortiz, Suite A
Santa Fe, NM 87507

Dear Mr. Balderas:

The New Mexico Finance Authority Oversight Committee (the committee) of the New Mexico Legislature has the statutory duty to monitor and oversee the operation of the New Mexico Finance Authority (NMFA). In the performance of legislative oversight, the committee believes it is imperative to have the NMFA resume normal operations as soon as feasible so that municipalities and governmental entities are able to fund critical projects with low-interest or no-interest loans issued by the NMFA. In furtherance of that objective, the committee unanimously requested, and the New Mexico Legislative Council unanimously authorized, an independent operational review of the NMFA's policies, procedures and practices, as well as a review of the response of the NMFA and other entities to the audit issue and whether those actions were in line with standard or best practices. The Legislative Council Service is in the process of procuring a contractor to fulfill the mandate.

The committee would like to assure you that the independent operational review will be conducted pursuant to legislative oversight imperatives. There is no intention to interfere or overlap with the forensic examination to be performed by or for the Office of the State Auditor and the investigation being conducted by the Securities Division of the Regulation and Licensing Department.

The committee believes it is crucial that there be no delay in the provision of a final report on the forensic examination requested by the NMFA board (see page 3 of the New Mexico Finance Authority Special Audit Recommended Minimum Scope of Work for Independent Public Accountant delivered to your office on July 26, 2012). Any delay would postpone the NMFA's submission of a valid 2011 financial audit, impede its return to the bond market and thereby impair the financial interests of the state.

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In its July 26, 2012 letter to you, the NMFA board requested that the contractor prepare a detailed, final report on a forensic examination and on a comprehensive review and risk assessment. We urge the provision of a final report on the forensic examination without postponement while the comprehensive review and risk assessment is being performed. We believe that receiving critical information, particularly about the forensic examination, as soon as it is completed, is necessary to allow the NMFA's timely reentry into the bond market; restoration of investor confidence; and preservation of low- or no-interest rates for municipalities and governmental entities.

Thank you for your diligent attention to this matter. We look forward to hearing from you.

Sincerely,



MARY KAY PAPEN
State Senator, District 38
Chair, NMFA Oversight Committee



PATRICIA A. LUNDSTROM
State Representative, District 9
Vice Chair, NMFA Oversight Committee

cc: NMFA Oversight Committee Members
Carla Martinez, Deputy State Auditor
Jim Noel, General Counsel, Office of the State Auditor
Daniel S. Tanaka, Director, Securities Division, Regulation and Licensing Department
J. Dee Dennis, Jr., Superintendent, Regulation and Licensing Department

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